



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Falcon and Amistad Projects — Rate Order No. WAPA-186

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of rate order extending firm power formula rate.

SUMMARY: The Under Secretary of Energy approves, on an interim basis, the extension of the existing Falcon and Amistad Projects' (Projects) firm power formula rate through June 7, 2024 and will submit them to the Federal Energy Regulatory Commission (FERC) for confirmation and approval on a final basis. The existing firm power formula rate is set to expire June 7, 2019. This rate extension makes no change to the existing formula rate.

DATES: The firm power formula rate will be placed into effect on an interim basis June 8, 2019.

FOR FURTHER INFORMATION CONTACT: Mr. Steven R. Johnson, Colorado River Storage Project (CRSP) Manager, CRSP Management Center, Western Area Power Administration, 299 South Main Street, Suite 200, Salt Lake City, UT 84111; (970) 252-3000; e-mail johnsons@wapa.gov, or Mr. Thomas Hackett, Rates Manager, CRSP Management Center, (801) 524-5503 or e-mail hackett@wapa.gov.

SUPPLEMENTARY INFORMATION: By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western Area Power Administration's (WAPA) Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final

basis, or to remand or disapprove such rates, to FERC. In Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy also delegated to the Under Secretary of Energy the authority to confirm, approve, and place into effect on an interim basis power and transmission rates for WAPA. This extension is issued in accordance with the Delegation Order and DOE rate extension procedures at 10 CFR 903.23(a).

The Falcon and Amistad Dams are features of international water storage projects located on the Rio Grande between Texas and Mexico. Under the terms of Contract No. 7-07-50-P0890, dated August 9, 1977, as amended (Contract), WAPA markets the power from these dams to South Texas Electric Cooperative, Inc. (STEC). The firm power formula rate for the Projects was approved by the Federal Power Commission, predecessor of FERC, in Docket No. E-9566 on August 12, 1977 (59 FPC 1653), for a 5-year period effective on the date of initial operation of Amistad Power Plant, June 8, 1983.¹

WAPA calculates the annual installment to be paid by STEC for the power generated at the Falcon and Amistad power plants on or before August 31 of the year preceding the fiscal year to which it pertains, and identifies this amount in a rate schedule. WAPA uses each annual installment to pay the annual amortized portion of the United States' investment in the Falcon and Amistad hydroelectric facilities, with interest, and the associated operation, maintenance, and administrative costs. This repayment schedule is not dependent upon the power and energy made available for sale or the rate of generation each year. STEC, as the sole customer that takes service from the Projects, submitted a letter in support of this rate extension.

¹ FERC subsequently approved multiple 5-year rate extensions of the same formula rate, most recently on April 9, 2015, in Docket No. EF14-9-000, which extended the rate through June 7, 2019 (151 FERC ¶ 62,027).

Following DOE's review of WAPA's proposal,² I hereby approve Rate Order No. WAPA-186 on an interim basis, which extends, without adjustment, the Projects' firm power formula rate through June 7, 2024. Rate Order No. WAPA-186 will be submitted to FERC for confirmation and approval on a final basis.

Dated: May 8, 2019

Mark W. Menezes
Under Secretary of Energy

² WAPA's proposal was published on December 26, 2018 (83 FR 66,257).

**DEPARTMENT OF ENERGY
UNDER SECRETARY**

In the matter of:)
)
Western Area Power Administration)
Extension for) Rate Order No. WAPA-186
Falcon and Amistad Projects')
Firm Power Formula Rate)

**ORDER CONFIRMING, APPROVING, AND PLACING THE FALCON AND AMISTAD
PROJECTS' FIRM POWER FORMULA RATE INTO EFFECT ON AN INTERIM BASIS**

This Rate Order extends a firm power formula rate. The extension is undertaken pursuant to section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152), which transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Interior and the Bureau of Reclamation, under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)), and specifically includes "the transmission and disposition of the electric power and energy generated at Falcon Dam and Amistad Dam, international storage reservoir projects on the Rio Grande, pursuant to the Act of June 18, 1954, as amended by the Act of December 23, 1963."

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of the Western Area Power Administration (WAPA); (2) the authority to confirm, approve, and place into effect such rates on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to the Federal Energy Regulatory Commission (FERC). By Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary of Energy.

This Rate Order's extension is issued under the latter Delegation Order and DOE's rate extension procedures as codified at 10 CFR 903.23(a).³

BACKGROUND

On April 9, 2015, FERC confirmed, approved, and placed into effect Rate Order No. WAPA-164 for a 5 year period through June 7, 2019.⁴ On December 26, 2018, pursuant to 10 CFR 903.23(a), WAPA filed a notice in the *Federal Register* proposing to extend, without adjustment, the Falcon and Amistad Projects' (Projects) firm power formula rate as Rate Order No. WAPA-186.⁵ Consistent with the regulations at 10 CFR 903.23(a), WAPA held a consultation and comment period. WAPA received no comments during the consultation and comment period. WAPA did receive a letter from South Texas Electric Cooperative, the sole customer that takes service from the Projects, in support of extending the firm power formula rate, dated November 15, 2018.

DISCUSSION

The existing formula rate provides sufficient revenue to recover annual expenses, interest, and capital replacements within the cost recovery criteria set forth in DOE Order RA 6120.2. Annual expenses generally include operational expenses, such as salaries and benefits as well as incidental equipment costs. Equipment replacements and maintenance beyond recurring activities are considered capital replacements; these costs, along with the initial Federal investment in the Projects, are amortized with interest and repaid to the U.S. Department of the Treasury. A reconciliation of estimates to actual expenses is accomplished at the end of the rate period, and any differences are included in the following year's revenue requirement.

³ 84 FR 5347 (2019).

⁴ Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF14-9-000, 151 FERC ¶ 62,027 (2015).

⁵ 83 FR 66257 (2018).

The requested extension period under Rate Order No. WAPA-186, June 8, 2019 through June 7, 2024, includes no adjustment to the formula rate.

ORDER

In view of the above, and under the authority delegated to me, I hereby extend, on an interim basis, WAPA's existing firm power formula rate through June 7, 2024. This rate shall remain in effect on an interim basis, pending FERC's confirmation and approval of this extension, or substitute rates, on a final basis.

Dated: May 8, 2019

Mark W. Menezes
Under Secretary of Energy

Rate Schedule Falcon and Amistad Projects' Firm Power Formula Rate

**UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION**

**COLORADO RIVER STORAGE PROJECT MANAGEMENT CENTER
Falcon and Amistad Projects**

Firm Power Formula Rate Calculation

EFFECTIVE:

The first day of the first full billing period beginning on or after June 8, 1983, through June 7, 1988, or until superseded by another formula, whichever occurs earlier. Note: Extension of this firm power formula rate, for 5-year increments, was first approved by the Federal Power Commission, predecessor of the Federal Energy Regulatory Commission (FERC), on August 12, 1977. FERC has subsequently approved the firm power formula rate on July 20, 1988, September 29, 1993, June 7, 1998, January 31, 2005, December 17, 2009, and April 9, 2015, for service through June 7, 2019. Rate Order No. WAPA-186 extends this formula rate calculation through June 7, 2024.

Available:

In the area served by the Falcon and Amistad Projects (Projects).

Applicable:

To preference customers who are under contract with Western Area Power Administration (WAPA) to receive electric service from the Projects.

Formula Rate:

The existing formula rate provides sufficient revenue to recover annual expenses, interest, and capital replacements within the cost recovery criteria set forth in DOE Order RA 6120.2. Annual expenses generally include operational expenses, such as salaries and benefits as well as

incidental equipment costs. Equipment replacements and maintenance beyond recurring activities are considered capital replacements; these costs, along with the initial Federal investment in the Projects, are amortized with interest and repaid to the U.S. Department of the Treasury. A reconciliation of estimates to actual expenses is accomplished at the end of the rate period, and any differences are included in the following year's revenue requirement.

Billing:

WAPA bills the South Texas Electric Cooperative, the sole customer that takes service from the Projects, on a monthly basis. Each monthly charge is equal to one twelfth of the Projects' annual rate installment, rounded to the penny.

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